

Summary of Meeting #3 GFSDEP Stakeholder Group

October 12, 2010

Group Exercises

1. What are the Major Strengths of the existing retirement benefits system (i.e., that should ideally be preserved?)

Note: the numbers in the left-hand column indicate the number of votes each idea received. Group members had three dots to spread among three Major Strengths. The top five are identified in bold.

14	Attracts a high-caliber workforce
9	Rewards experience and commitment to public service
7	Plans enable healthy retirees, who have health care coverage and security
5	Avoids high cost of turnover
3	Very stable, certain for the employees
2	All employees have a common benefit structure.
2	Retains employees
2	Sustains San Jose "business model": keeps an under-funded city going with high high-quality employees
2	Managed by the City, so can be responsive to local market conditions
2	Have made some changes already
1	Protects retired employees from inflation
	Stable under normal economic circumstances
	No risk to employees
	Protects the city from financial loss associated with inexperienced personnel
	Makes public service attractive
	Is a reasonably generous plan
	Relatively easy to understand
	Is a known commodity to employees
	Supports a long-term policy of compensating employees slightly above other cities in order to retain them

2. What are the Major Weaknesses/Concerns with the existing retirement benefits system (i.e., that should ideally be addressed)?

9	Is affecting service levels to residents, which are not OK now; costs are causing reduction in services to city residents
9	City bears virtually all the risks for market losses, inflation, bargaining changes
6	3% "COLA" bears no relation to actual CPI
6	Comparative analyses to other cities not done in detail
4	Though a generous plan, it is fiscally unsustainable
2	Vulnerable to economic meltdown/apocalypse
2	Businesses may leave the City if costs of doing business are too high to pay for retirement benefits
2	Lack of "sustainability metrics" make it difficult to identify a reasonable, sustainable benefit and cost
1	Underfunding of plans has been long-standing. No public review on an annualized basis of plan status.
1	Locally managed plan can be influenced by politics and special interests.
1	Attracting employees to public service could prevent the city from looking at what services could be privatized.
	"Early" retirement at 50/55 means City loses some very talented employees.
1	Attracts employees to public service instead of to the private sector, where they could be creating wealth in the free market
1	.Unfunded liability created
1	Need public discussion to change longstanding policy
1	Need better communication with employees and public about the plan details, positives and negatives
1	The process by which the plan and its funding are determined is not working
1	City employees don't get social security
1	Vulnerable to spiking
1	Vulnerable if there is too much time between actuarial analyses.
	Perceived as too generous compared to private sector
	Are hardened positions in some factions
	Different elements of change might require difference procedural paths
	City was slow to identify and respond to the problem
	Impossible to determine what are "normal" market conditions.
	Could encourage employees to stay in a job they don't like to hit 'magic numbers'
	People chose public service for reasons other than retirement

3. What should be the End Goals of a reformed retirement benefit system?

The group identified a range of ideas for potential and goals of a reformed retirement benefit system. The ideas are listed below, in no particular order.

- Competitive total employee compensation/labor market equality
- Decent standard of living for retirees
- Decent standard of living for taxpayers
- Risk-sharing
- Stable city services, in quantity and quality
- Stability for City and employees
- Checks and balances that allow us to react to change/flux
- Cost transparency
- Pension costs that don't increase business taxes above local cities
- City makes only those promises that it can keep
- Fiscally sound
- More predictable, smoother costs in the future—no major ups, downs, surprises
- Portability
- Employees retained
- Employee motivation maintained
- High-quality, competitive personnel
- Retirement security
- Competitive retirement to both other governments and private companies
- Health care contemporary for better living behaviors
- Solution should be collaborative; should work for citizens, employees, and the City; should eliminate "us" vs. "them" dynamic
- Continue incremental approach to change
- Transition problems of any change minimized
- Transparency in bargaining
- Initiatives statewide should not drive change
- Link benefit increases to actual CPI
- Increase retirement age closer to private companies and social security (except for public safety)
- Increase retirement age to reflect increased lifespan
- No benefit changes resulting in an unfunded liability
- More timely, better utilized retirement data